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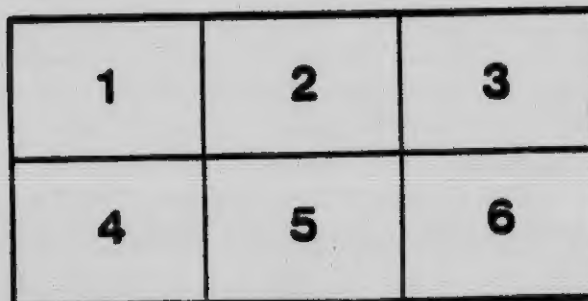
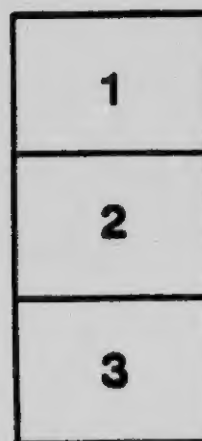
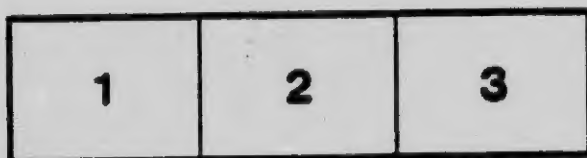
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ECONOMICS



LESSON 11



By

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ECONOMICS

LESSON XI.

Distribution—Rent.



IN the previous lessons we have dealt with production and exchange. Now we come to deal with a third great division of economics, which is even more technical and open to controversy in its character than those which we have already treated. This third division is called **distribution**.

Distribution, in its economic sense, means the division of all produced wealth among those who have directly or indirectly contributed to that production. The economic term has nothing whatever to do with the popular sense of the word. One may say, in popular language, that a railroad is a distributor of commodities, but in the economic sense, such distribution of commodities is only a particular type of production—the creation of place-utilities. In the same way we might speak of the proprietor of a great store as a distributor of commodities; in economic language, however, he is a producer of possession-utilities.

If one considers the process of production and the persons who are directly or indirectly concerned in it, one will find that there are four distinct functions concerned in almost any act of production; these functions are usually performed by four different persons, though in certain cases two or more of them may be discharged by a single person. The product, may, therefore, be divided into four parts.

Rent.

1. Any act of production must go on somewhere—on some piece of land or other. Now in our civilization almost all land (at least in settled communities where production is going on and where a labour force exists) is private property which no one can use for productive purposes without permission from the owner. The owner of

land, then, which is from its situation or its fertility specially suitable for manufacturing purposes or for agriculture, is able to secure from the person who desires to carry on production, but does not possess the land suitable for such production, a part of the product in return for allowing him to use that land. This part of the product paid to the owner of land for the use of that land is known as rent.

Interest.

2. Then, too, the man who wishes to begin the manufacture of a certain commodity has, besides paying rent, to erect buildings and purchase machinery and raw material before he can begin to produce. If he has no money of his own, he may, if his credit is good, procure money from those who have it, on his promise to pay them back their money with an additional payment which we call interest. This additional payment must, of course, nominally come out of the sale of the finished product, or at least be advanced out of the prospective sales to be recouped when they are realized.

Wages.

3. The prospective manufacturer must have people to work for him, and as they will not do so for nothing he will have to give them a share in the product of labour—a share known as wages. He will usually begin paying them wages before the product is actually disposed of, but he will charge up these wages against the product.

Profits.

4. Lastly the manufacturer will expect to have after rent and interest and wages are paid, something left over for himself—which he may consider as his profits.

But it is not only the manufacturer who makes profits. It is any man owning and managing a business of his own. The farmer, whether he be tenant or landlord, whether his farm be mortgaged or not, is running a business of his own, and so is the merchant. In general we call a man who is running a business of his own the entrepreneur—

a word adopted from the French. Some economists have Anglicised the word into undertake or enterpriser, and we often call a large entrepreneur who employs many wage-earners on his farm or in his store or factory, a captain of industry. Such a man, if noted for business ability and integrity, may run an enormous business with little or no wealth of his own.*

Combination of Functions.

Of course, a man may combine all four of these functions. Many Canadian farmers do. They own their own land, own the buildings, stock and implements, work with their hands just like a hired man on a farm and also run their business as entrepreneurs. They receive, therefore, the whole product of their labour, including rent, interest, wages and profits. This is, of course, received as a whole. The farmer does not consciously divide it into these component elements, though he may very likely (especially when he is thinking of retiring) calculate what the farm would rent for with or without its stock and implements—thats, with or without its working capital. Also, his neighbor may employ a hired man who may be just as efficient a manual worker as himself, and by deducting this man's wage from his whole income he may be able to make an approximate calculation as to how much of his total income is to be assigned to each of the four functions which he discharges.

In the same way as we have imagined the farmer dividing up his income, it is possible for a nation such as Germany or England to calculate (very approximately, of course) how much of its incomes—its total annual product of wealth—goes in rents to landowners, how much in interest to capitalists, how much in wages to labourers, and

*Pierpont Morgan, the head of the so-called Money Trust, in his recent evidence before the Congressional Committee, said that he would prefer to lend a million dollars to a man with character and without securities, rather than to a man with securities and without character.

how much in profits to entrepreneurs. These amounts are ascertainable with some degree of accuracy.

Shares Not Immutably Fixed in Amount.

The amounts of these respective shares may be largely modified by any independent society, and have, as a matter of fact, been very greatly modified during the evolution through which society has passed since the time, let us say, of the Norman Conquest. And it is not to be supposed that during all the centuries to come the distribution of wealth will be just what it is to-day.

At the present time we hear very often that the actual manual laborer does not get a share proportional to his merits in the distribution of wealth, and, to take one instance, Great Britain has recently passed a law establishing what is called a minimum wage in the coal mines—enacting, that is, that no one working in a coal mine shall be paid less than a certain wage. Whether such a law will lead to an increase in the amount of wages going to the wage earners of England as a whole is a very debatable question, but the intention at least is to raise the wages of the laborer. Another way in which this same end may be effected, is for the Government, which may perhaps be considered as a silent factor in production, to step in and take in taxes a portion of the shares of the other three partners in production, while leaving the wage-earner untaxed, or even providing him with various utilities out of the taxes collected from others. Thus in England of late years old age pensions have been provided for the poor, mainly at the expense of the wealthier classes.

These facts, then, that the laws of wealth are not immutable, and that its distribution may to some extent be changed by human progress and legal enactment, have led to bitter controversies between those who claim that our present system of the distribution of wealth treats all classes with substantial justice and does not require modification, and those who assert that at the present time the wage-earner in particular is not getting a fair share of the wealth that he produces, while the other sharers in that

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wealth are getting too much. In dealing with this question it will be our aim simply to put clearly before the student the leading positions of both sides.

Many of these controversies are connected with the economic doctrine of rent, the first charge in production, which we shall now discuss.

Ricardo's Theory of Rent.

The theory of rent which is practically universally accepted by economists, is known as the Ricardian theory, from the name of David Ricardo, who, although he was not the first to formulate this theory, was the one to develop it in its fullness and make it an integral part of economic science. In his "Principles of Political Economy and Taxation," published in 1817, he defines rent as "that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil." This theory really involves two subordinate theories:

- (1) An historical theory as to the origin of rent.
- (2) An analysis and definition of rent as it is.

No Rent At First.

Considering rent historically, it is evident that on the first settling of a country or district where land exists in abundance, there will be no rent, for no one would pay for the use of land while there exists plenty of land of equal quality as close to the markets where produce is sold, still unappropriated and at the disposal of whoever may care to cultivate it. Under these circumstances the cultivator would no more pay rent than does the man who catches fish on the open sea.

But land is variable in quality; some day all the first quality land near the market will be appropriated, and those who come to the district later will have either to take what we may call second quality land near the market, or first quality land at a considerable distance—a distance which necessitates a cost of transportation sufficient to make it a "toss-up" as to what the incoming cultivator

will do. We may call this land which is first quality by fertility, second quality by situation.

Emergence of Rent.

In these circumstances there is yet a third course which he may follow. If the first quality land produces 30 bushels of wheat per acre, while the second quality land (either by fertility or situation) gives a net product of only 25 bushels (assuming that in the case of land that is second class by situation it costs him the price of 5 bushels to bring 30 to market) then he may decide on renting first quality land near the market at a rent of 5 bushels per acre—the difference in net product between first and second quality land. He will be ready to do so, because he can do as well for himself in this way as by settling on the free second quality land.

By and by the second quality land (whether by fertility or situation) will be all taken up, and now the newcomers or the superfluous farmers' sons will be driven to take up third quality land, which yields only 20 bushels to the acre. This they can get for nothing. As soon as this land begins to be settled, up goes the rent of first quality land, since some of the prospective farmers will be willing to pay 10 bushels per acre rent for the use of first quality. They will also be ready to pay 5 bushels per acre for land of second quality, since either of these courses will be as profitable as to settle on third quality land. And so, too, they may, in time, resort to fourth and fifth quality land. When fourth quality land comes under cultivation, then third quality land begins to bear a rent. In any case, every quality of land which is better than the worst under cultivation will bear a rent. The worst quality actually under cultivation at any particular time is called "no-rent" land; it is to be found on many farms along with better qualities, so that its existence is not suspected.

Effect Upon the Consumer.

What is the result upon the person who consumes the products of the land? At the beginning, when only first

quality land was under cultivation, we will assume that wheat could be produced at a cost of \$30 per acre; therefore, the price of wheat where land is free and is bearing 30 bushels to the acre, is presumably \$1 per bushel. But when second quality land is taken into cultivation, it costs \$30 to raise 25 bushels to an acre. Therefore the wheat must sell in the market at an average of \$1.20 if such cultivation is to go on. In the same way, when third quality land producing only 20 bushels to the acre is taken up, the price of wheat will go up to \$1.50 per bushel, and when fourth quality land producing, say 15 bushels to the acre is cultivated, the price of wheat must go up to \$2.00 per bushel. Otherwise the cultivators of these respective qualities of land would have to allow them to go out of cultivation.

High Prices.

This, then, is a serious fact. The price of everything must needs go up as the country gets more and more crowded and worse land has continually to be brought under cultivation. Also, a larger part of the increased price goes to the landlord. For instance, when second quality land comes into cultivation, the price of wheat must, as we have seen, go to \$1.20 per bushel; and the rent of 5 bushels is equal to \$6.00 per acre. When third quality land comes into cultivation, the price of wheat is raised to \$1.50 per bushel, and at the same time the rent on first quality land rises to 10 bushels per acre, and that on second quality land comes to be 5 bushels. Hence the rent on first quality land is now equal to \$15.00 per acre, and that on second quality to \$7.50. So also, when fourth quality land comes under cultivation, the price of wheat must go to \$2.00 per bushel in order that its culture may be remunerative, and at the same time the rent goes up to 15 bushels or \$30.00 per acre on first quality land, to 10 bushels or \$20.00 per acre on second quality, and to 5 bushels or \$10.00 on third quality land.

Altogether this is a very gloomy prospect for the future of humanity—continuously increasing prices once the

great new areas are taken up, the landlords drawing an ever-increasing tribute from those who actually cultivate the soil.

Intensive Cultivation. Law of Diminishing Returns.

But some one will say "Why not escape this by applying more cultivation to the first quality land—intensive cultivation as it is called now?" Up to a certain limit this is quite possible, but everyone knows that if we put a second "dose" (say an extra \$30 worth per acre) of capital and labour into our first quality land, it will not yield us an additional 30 bushels of wheat. Doubling the cultivation does not double the crop, and even if it did we could not go further and say that trebling or quadrupling the investment of capital and labour on an acre of ground would treble or quadruple the crop. Everybody knows they will not, probably because the crop is as much a product of the sunshine and the rain as it is a product of human effort, and we cannot double or treble the supply of sunshine and rain at will when we double the capital and labour. The natural productive forces are not doubled when the human forces of labour and capital are doubled, and therefore we cannot anticipate a doubled product. This is a general law known as the law of diminishing returns and applying to all production, but especially noticeable in agriculture and other so-called primary industries, where—so to speak—nature works along with man. Marshall defines it thus: "An increase in the capital and labour applied in the cultivation of land causes in general a less than proportionate increase in the amount of produce raised."

It is impossible, therefore, to escape by intensive cultivation from the inevitable accruing of rent. The pressure or rent, however, may be lessened and the law of diminishing returns to some extent neutralized by improvements in the art of agriculture, which may enable us to raise a larger yield from each acre of cultivated ground at the same investment of capital and labour. This larger yield

enables the population, which we will say has had to resort to third quality land in order to live, to maintain itself on the products of first and second quality land alone. Thus third quality land goes out of cultivation altogether, second quality land becomes non-rentable—a drug on the market—and the rent on first quality land falls from ten to five bushels per acre. (Always think of economic rent as applied to agriculture in terms of the amount of produce and not in terms of the value of that product.)

The Neutralizing Effect of Improvements.

Of course as a general thing we do not see sudden changes of this kind. The benefits of an agricultural invention are usually only very gradually diffused throughout society and while this diffusion is going on the population is gradually increasing, the demand for food products of course increases with it, and we have these two forces neutralizing each other. But wherever an increasing population has to be fed from the food products of a country which is already settled, we will find that to secure the additional food products required, poorer and poorer land has to be placed under cultivation, and rents are thereby increased because of the greater difference in productivity between the best or better lands and the worst land under cultivation, and the final result is higher prices, since the producer on the worst land under cultivation must get enough money for his product to enable him to go on producing. If England were forced to produce food for her population, prices there would be enormous. From one point of view we may describe all history—economic history, at least—as a struggle between the law of diminishing returns and the resourcefulness of human invention. So far, the victory has lain with the latter, but no man can speak for the future.

Rent the Effect Not the Cause of Price.

There is an important corollary from the doctrine of rent, which we must now discuss. Briefly stated, it is this: Rent is the effect and not the cause of price. Let us con-

sider this statement a little. At first it sounds rather ridiculous, but let us apply it to our imaginary community at a time when there are three qualities of land in use—30 bushel, 25 bushel and 20 bushel land—and when the price of wheat is \$1.50 a bushel. Suppose that the landlords say that they will give up their rent or suppose that they are forbidden by the Government to collect it. What happens? Simply this—the farmer on third quality land continues to get his \$30 for his 20 bushels per acre—just enough to remunerate him; the farmer on second quality land still sells his wheat at \$1.50 a bushel—it is an old maxim that there cannot be two prices for the same commodity in the same market at the same time—and thus he gets \$37.50 for his 25 bushels; the extra \$7.50 which he gets more than the farmer on the third quality land, he no longer gives to his landlord but keeps for himself, and the farmer on the first quality land does likewise, though his extra gain is larger—\$15.00 per acre. The consumers of wheat products are not advantaged at all; they pay just as much as before. The only change is that the rent has been transferred from the pockets of the landlords to those of the cultivating farmers. "Rent is not the cause but the effect of price," and prices are no lower when rent is taken away from the landlord than when it is paid to him. In any case it must exist, whether it fills private or public coffers.

Rent of Situation.

Rent, even on farms, depends on situation as well as on fertility. The effect of situation on the rent, is decided by the cost of transporting a unit quantity of wheat from the farm where it is grown to the market. For instance, as we have already shown, if we have first quality land—or 30 bushel land—at such a distance from the market that it takes the price of 5 bushels of wheat to bring it there, a man might just as well settle on land that is second quality in fertility—25 bushel land—and if it is near the market. His net product is the same in either event. In a country like our North-West, he will probably choose the land

whose disadvantages are of situation rather than of fertility, because such a disadvantage may be partially removed by the advent of new railroads, good roads, etc., while the other disadvantage is usually considered irremediable unless at great expense for fertilizer or drainage.

Urban Rent a Matter of Situation.

Situation, then, is an important factor in deciding economic rent, even in farms. It is practically the only important factor in urban rents. It makes absolutely no difference in the rent of land in the financial or business sections of any of our large cities whether that land is first quality agricultural land or solid rock. What does matter is its location. For a business firm, a site where many possible customers are passing and repassing is an absolute necessity for the success of their business. Such sites are neither cheap nor plentiful, but they must be had, and the firm pays rent, let us say, for such a location. Then with every increase in the population of the city there is usually a larger number of people passing the above-mentioned place of business, and the probability is that the rent—the "ground rent," as it is called in England—paid by the store-keepers will be proportionately increased, inasmuch as the value of the site has increased with the increasing number of passers-by who are possible customers. Urban site rents will thus increase as long as the population and wealth of the particular community continues to increase, and no longer.*

Residential sites in growing cities are, of course, subject to the same general conditions, but their value does not usually increase in the same proportion. The desirable points about a residential city lot are its nearness to the business section, its remoteness from factories (if it is likely to be occupied by anyone but workmen), the

*This is a general statement. Everybody knows particular cases in which the value of a business or residential site, even in the most rapidly growing urban communities, declines for some special reason, such as the presence of undesirable people in a district which has been a choice residential neighborhood.

view from it, the character of the surrounding houses, etc. Its rent value will be decided by these considerations and in a growing city will show a tendency towards increase, because pleasant and convenient sites for homes are comparatively few, as compared with the increasing numbers of people who want them. Other things being equal, every additional inhabitant in a city means an increase in the land values of that city. Every loss of an inhabitant means a decline in land values. It is no wonder then that people who are interested in real estate are continually trying to induce new firms to locate in their city or town; such a proceeding has a strong tendency to increase the value of their real estate.

Land Values an Unearned Increment.

Land values, then, are not at all due to any action of the individuals, though some people might perhaps call the foresight and judgment which the individual exercises in the purchase of property, his labour. If so, it is certainly a very different type of labour from what we ordinarily have, and the wages which some fortunate persons receive from it are enormous. The landlords in rapidly-growing communities are like the lilies of the field, "They toil not, neither do they spin," and yet they gather in the dollars.

Expropriation of Land Values.

The facts that landlords in rapidly-growing communities appear to make their money so easily, and that the rental value, especially in the case of urban lands, usually increases proportionately with the population, have led various writers to assert that these land values—the so-called unearned increment—are created rather by the community than by the individual, and should be appropriated by the community, or at least subjected to heavy taxation, and the amounts realized from such taxation should, according to these economists, be used to provide public services for the rapidly growing populations of such new communities. Thus, in a new district of a city,

the land values, when expropriated, could be made to supply the inrush of people with streets, light, water and sewers. The more rapidly the population grew, the faster would land values increase and provide the necessary public services.

Future Land Values.—The English Plan.

The greatest name among the writers holding this view is that of John Stuart Mill, who, in his "Principles of Political Economy," advocated that a valuation should be made of all the land of a country, and all future increment of land value should be subject to specially heavy taxation. Thus existing interests would be protected, while the state would in the course of time derive a very considerable revenue from the unearned increment in the value of land. The Asquith Government in Great Britain actually carried out this scheme by providing for the valuation of all the land in the kingdom and for a tax of 20 per cent. of any increase in value that took place after the time of the valuation. Though the revenue from this tax has necessarily been almost a negligible quantity during the few years of its existence, it will probably be a source of considerable revenue, as land values increase, in the course of a generation.

Unfairness of Confiscating Existing Land Values.

Mill objected to discrimination against land-owners in the taxation of existing land values. In his opinion they had acquired their property by just as good a title as any other body of property-owners—by purchasing land with their savings or by inheriting it from their ancestors who had so purchased it, when they might have invested their savings otherwise. Now, as land-values, apart from investments sunk in the land, are simply the capitalized value of the present or prospective economic rent, to appropriate that rent-charge is to confiscate the land-owner's capital, and, while the State has power to do such things, it has no moral right to do them.

The expropriation of existing land-rents, without due compensation to the land-owners, would deal a crushing

blow at the whole institution of private property. It would discourage all saving for investment, because no one would feel that his investments were safe. If the State expropriated the property of the land-owners, it might just as well go further and repudiate the national debt, take over the banks and seize their deposits, and, without compensation to the shareholders, declare the railways public property. In such a country, no one would care to save money, since he might as well enjoy it while he had it as invest it in an enterprise likely to be swallowed up by the Government. No one would be able to borrow money from abroad, for who would lend when their loans might at any time be confiscated by the Government of the debtor State? Such a condition of affairs would in the end be ruinous to the new debtor countries like our own, since it would be impossible to secure the necessary capital for development purposes, either from foreigners or from our own people, neither of whom would care to invest their capital with us. Even the latter would much prefer to put their capital somewhere else. These are the arguments usually advanced against the demands of the more rabid school of single-taxers, who advocate the confiscation of economic rent by the State, which involves the annihilation of existing land values now held as private property.

Land Originally Belongs to the State.

The scheme of the single-taxer in its most radical form involves confiscation of all existing land values through the confiscation of economic rent, upon the principle that the rental value of land justly belongs to the community, not to the individual. In the beginning this was no doubt true. In Canada, for instance, the original title to all the land rested in the Crown—that is, the people—and the people were under no obligation to grant lands in perpetuity to anybody. Indeed the greater part of the soil of Canada still belongs to the community, and no essential injustice will be done to any individual if the community declines to grant any more of that land in full ownership

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to individuals. So far, however, is the community from doing this, that it declares itself ready to grant to any man who will settle on Western farms and perform certain not very onerous duties of cultivation, 160 acres of land in perpetuity. Apparently, then, even from the community's point of view, the best way to increase the national wealth is to grant to bona-fide agriculturists on easy terms land on which they may carry on cultivation; especially as the land is worth very little to the community until it is cultivated.

The State thus makes a sort of contract with a man that it will grant him land in perpetuity if he will go ahead and cultivate the land, which is worth practically nothing to the State until it is cultivated. Then, after he has performed his share of the contract the State comes and takes the unearned increment, which has been usually considered as a bonus justly due to the settler on account of the hardships which he suffered in going in and beginning cultivation. Thus the State practically breaks its contract.

Thus, too, when the State opens up a new town-site like those along the line of the Temiskaming and Northern Ontario Railway, it sells the lots with all their possibilities of unearned increment to the highest bidder. Sometimes the purchaser loses on his investment; more often, probably, he gains, as he certainly has done in the past few years of exceptional development, which, however, may not continue. It is not fair or just for the State to sell a man lots in this way and then deprive him of any possible gain by discriminatory taxation. The State has no more right to be unjust than has an individual, though a sovereign State may have the **power** to be so; just as several American commonwealths were able to repudiate their debts. Their dishonesty did not in the long run profit them in the one case; it is not likely to turn to the State's advantage in the other.

Expropriation of Rent Means Confiscation.

The immediate appropriation of all existing economic rent by the State would mean the confiscation of the whole

or of a considerable part of the property of landlords, imposing an entirely inequitable burden upon present owners, and no burden at all upon future owners, since, when property was sold, they would calculate the capitalized value of the extra tax upon it, and deduct that amount from the purchase price. This may be illustrated by an example:

Suppose I purchase for \$1000 an urban lot, for the use of which a tenant pays me \$80 per year, of which \$20 go for taxes. Thus my net income from the lot is \$60 per year, or 6 per cent. on my investment. If, however, the State or the municipality doubles the taxation on land, I will have to pay \$40 in taxes instead of \$20, while my tenant will pay me no more than before. Then, if money is worth 6 per cent. per annum, the selling value of my lot will fall to \$666 $\frac{2}{3}$ —the capitalized value of a net income of \$40. But the State may go still further and take the whole \$80 per annum of economic rent, thus leaving me no income at all. Consequently, no one will be willing to give me anything whatever for my lot, so that I have lost my \$1000. And I, the present owner, would be the only one to lose, for the Government could not reach the former owner, who sold me the land for \$1000, some part of which was probably unearned increment. Again, the Government could not reach the future owner, who would not pay for the lot one cent more than the capitalized value of its net earning power after the expropriation of the economic rent. In the case under discussion, this would be just nothing at all.

The Single Tax.

In Henry George's remarkable book, "Progress and Poverty," he says that it is not necessary to confiscate the land; it is only necessary to confiscate rent. This indeed amounts to precisely the same thing, since the value of any piece of land (apart from improvements) is merely the capitalized value of the present or prospective economic rent, and would at once vanish if that rent ceased. As Henry George said, "We may leave to the landholders

the shell (the empty name of ownership) if we take the kernel (the rent)." This kernel he proposed to secure from the landowner through the adoption of the single-tax, taking all the economic rent for the State and abolishing all other taxation.

The idea of the single tax has been considerably watered down since Henry George wrote "Progress and Poverty" thirty years ago. According to the Single-Tax Catechism, it means "the gradual imposition of all taxes upon the value of land, **exclusive** of improvements, thereby eventually abolishing all other taxes." And "it does not mean the abolition of private property in land, but simply proposes to divert an increasing share of ground rent into the public treasury." The grounds for doing so are "that the site value of land is a creation of the community," and that the whole burden of the tax will fall on the landholder and cannot be transferred to the tenant.

Criticism of the Single Tax.

This proposed taxation has been severely criticized from several different points of view. In the first place, it may be pointed out that it will probably be a municipal, not a provincial or national tax, as it would be quite impossible for municipal, provincial, and federal governments to come to any definite and final arrangement as to the division of the spoils. The useful provisions of our constitution, that the Province shall have the revenue accruing from direct, and the Dominion that accruing from indirect taxation, keeps them from quarrelling with each other over their respective shares. The single-taxers would leave all three authorities—local, provincial and national—to squabble about the share of land rent which ought to come to each. Between them they would probably be able to expend the whole of the economic rent, and as their functions and duties enlarged—our Dominion expenditures quadrupled in the past sixteen years—it is very doubtful whether the economic rent would be found sufficient.

Probably our Provincial and Dominion governments had better stick to their present methods of taxation.

Single Tax in Rural Districts.

Rural municipalities, at least, have little to gain from the adoption of the single tax. The value of improvements on most farms is already roughly proportional to land values. Further, if all or nearly all the economic rent is taken in taxation, no inducement is left to the nominal owner to keep his land up to the mark or to improve it. He is thus encouraged to what the Germans call *Raubbau*—predatory cultivation or mining the ground. This would constitute a public danger.

Single Tax in Cities and Towns.

Urban municipalities, such as our rapidly-growing Western cities, are perhaps the most favourable fields for the adoption of the single tax. Land values have been increasing so rapidly there during the past few years that the exemption of improvements from taxation has not resulted in a slump or decline in land values in cities like Vancouver and Edmonton. Thus the land-owners there do not appear to have suffered any serious injustice through the change in the methods of taxation. It is far too soon, however, to base any final conclusions upon the experience of these Western cities, which will, sooner or later, have to pass through a period of depression such as Eastern cities have experienced. When these Western cities have, like the Eastern, seen hundreds of blocks of vacant lands thrown upon their hands for non-payment of taxes, and the values of all other lands reduced through the consequent excess of the supply over the demand for it, we shall have an opportunity of coming to a more definite conclusion as to the merits or demerits of the single tax as applied to urban municipalities.

EXAMINATION QUESTIONS

ECONOMICS.

LESSON 11.

1.—Define clearly the term "distribution," as used in economics.

2.—What are the four shares in distribution? Define and explain the various terms used.

3.—Under what circumstances does the problem of distribution not arise at all?

4.—Show how rent commences to accrue on agricultural land.

What is the law of diminishing returns? What connection has it with the theory of Rent? How may its operation be neutralized?

6.—"Rent is the effect, not the cause of price." Explain fully.

7.—On what considerations does urban rent depend? Explain fully.

8.—What is meant by the "expropriation of unearned increment"? What is the case for it?

9.—What was Mill's scheme of expropriating unearned increment, and how is it now being carried out in England?

10.—What is the Single Tax, as first proposed and afterwards modified?

11.—Criticize the doctrine of the Single Tax, with reference to the raising of national and municipal revenues.



